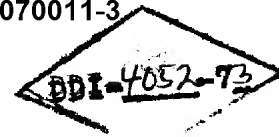


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3 August 1973

MEMORANDUM FOR: Acting Director of Current Intelligence
THROUGH : Chief, Middle East Africa Division, OCI
SUBJECT : Libyan Oil Negotiations (FYI ONLY)

1. After a month's lull in the oil negotiations, Prime Minister Jallud has again threatened a take-over of the two major independent producers, Occidental and Oasis, unless the companies accept Libya's demands by 15 August. This time, however, Tripoli has reduced its demand from 100 percent participation to 51 percent and has hinted that there is room for negotiation on the issue of compensation. We interpret this new position as a strong signal that the Libyans are getting set either to reach an agreement or take strong countermeasures.



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3. We have been unable to confirm the report through other sources. Nevertheless, it does reinforce our speculation that Libya might try to establish such an agreement to bolster its position vis-a-vis the US companies. We believe the Libyans will still avoid outright nationalization except as a last resort; however, they may be quite serious about their newest threat simply to legislate 51-percent ownership.

4. We would also point out in passing that Libya's handling of the critical period in the negotiations could

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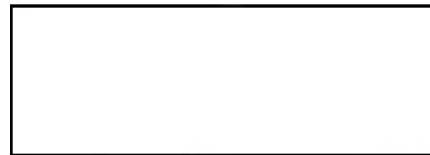
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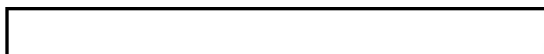
be affected by two [redacted] missions tentatively scheduled for 8 and 22 August. Tripoli has not reacted to the last six US reconnaissance missions, but there is still a possibility that the flights will provoke a reaction. In our view, an incident involving US reconnaissance flights would probably disrupt oil negotiations and could--at the extreme--provoke the Libyans to retaliate by nationalizing one or more of the US companies.



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